

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
INTERNATIONAL MERCHANDISE RETURN SERVICE AGREEMENTS
WITH FOREIGN POSTAL OPERATORS
NON-PUBLISHED RATES

Docket No. MC2016-94

COMPETITIVE PRODUCT PRICES
INTERNATIONAL MERCHANDISE RETURN SERVICE AGREEMENTS
WITH FOREIGN POSTAL OPERATORS
NON-PUBLISHED RATES 2 (MC2016-94)

Docket No. CP2016-119

**REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD
COMPETITIVE INTERNATIONAL MERCHANDISE RETURN SERVICE
AGREEMENTS WITH FOREIGN POSTAL OPERATORS 2 (IMRS-FPO 2)
PRODUCT TO THE COMPETITIVE PRODUCTS LIST AND
NOTICE OF FILING IMRS-FPO 2 MODEL AGREEMENT AND APPLICATION FOR
NON-PUBLIC TREATMENT OF MATERIALS FILED UNDER SEAL
(March 8, 2016)**

In accordance with 39 U.S.C. § 3642, 39 C.F.R. § 3020.30 *et seq.*, and Order No. 2639,¹ the United States Postal Service (Postal Service) hereby requests that Competitive International Merchandise Return Service Agreements with Foreign Postal Operators 2 (IMRS-FPO 2) be added to the competitive products list within the Mail Classification Schedule (MCS). The Postal Service also gives notice, pursuant to 39 U.S.C. § 3632(b)(3) and 39 C.F.R. § 3015.5, that the Postal Service has created an IMRS-FPO 2 Model Agreement (Model Agreement), which contains rates for the

¹ PRC Order No. 2639, Order Conditionally Approving Addition of Competitive International Merchandise Return Service Agreements with Foreign Postal Operators (IMRS-FPO) to the Competitive Product List, PRC Docket Nos. MC2015-68 and CP2015-99, August 4, 2015.

product that are not of general applicability within the meaning of 39 U.S.C. § 3632(b)(3).

Accordingly, the Postal Service requests that the Postal Regulatory Commission (Commission) list the IMRS-FPO 2 product, together with any subsequently filed IMRS-FPO 2 agreements, as a single product on the competitive products list. Once added to the competitive products list, the Postal Service will subsequently file a copy of each agreement along with the financial model inputs used to generate rates for each agreement with the Commission “within a reasonable time, e.g., within 10 days of the effective date of the agreement.”²

I. Introduction

The Commission added IMRS-FPO to the competitive products list in Order No. 2639. The Postal Service has created a Management Analysis of the Settlement Rates and Methodology for Determining Settlement Rates for Agreements under the Competitive International Merchandise Return Service Agreements with Foreign Postal Operators 2 Product (IMRS-FPO 2 Management Analysis) along with an accompanying financial model that revise the IMRS-FPO Management Analysis and IMRS-FPO financial model filed with the Postal Service’s request to add IMRS-FPO to the competitive products list in the MCS.³

In support of this Request and Notice, the Postal Service includes the following attachments with this filing:

² PRC Order No. 2639, at 8.

³ Request of the United States Postal Service to Add Competitive International Merchandise Return Service Agreements with Foreign Postal Operators (IMRS-FPO) Product to the Competitive Products List and Notice of Filing IMRS-FPO Model Agreement and Application for Non-Public Treatment of Materials, PRC Docket Nos. MC2015-68 and CP2015-99, July 10, 2015 (“IMRS-FPO Request”).

- Attachment 1: Application for Non-Public Treatment of Materials Filed Under Seal;
- Attachment 2: a redacted version of Governors' Decision No. 11-6, which authorizes management to prepare any necessary product description of nonpublished competitive services, including text for inclusion in the MCS, and to present such matter for review by the Commission;⁴
- Attachment 3: Statement of Supporting Justification of Violette Jacobson, Acting Director, Global Business Solutions, pursuant to 39 C.F.R. § 3020.32;
- Attachment 4: Proposed Mail Classification Schedule Language;
- Attachment 5: IMRS-FPO 2 Model Agreement⁵;
- Attachment 6: Certification for the IMRS-FPO 2 Rates, pursuant to 39 C.F.R. § 3015.5(c)(2);
- Attachment 7: a redacted version of the IMRS-FPO 2 Management Analysis.

Redacted versions of the supporting financial documents for the IMRS-FPO 2 Model Agreement are included with this filing in a separate Excel file. Unredacted versions of Governors' Decision 11-6, the Management Analysis, the IMRS-FPO 2 Model Agreement and the financial documents that establish compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately with the Commission under seal. The Postal Service is also sending a notice concerning this Request for publication in the Federal Register, as required by 39 U.S.C. § 3642(d)(1).

⁴ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors' Decision No. 11-6), March 22, 2011.

⁵ The Postal Service intends to use the IMRS-FPO 2 Model Agreement as the baseline agreement for functional equivalence comparisons when it files signed IMRS-FPO 2 agreements with the Commission moving forward.

II. Background

The rates and classification for IMRS-FPO were authorized by Governors' Decision No. 11-6, which states with respect to Outbound International Competitive Agreements, such as IMRS-FPO, "management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission."⁶

IMRS-FPO provides consumers based on the United States a returns product for merchandise purchase from international companies through cooperation between the Postal Service and foreign postal operators, subject to certain conditions.

The Postal Service has decided to revise the Management Analysis, financial model, and Model Agreement for IMRS-FPO, the Commission reviewed in Dockets MC2015-68 and CP2016-99. Therefore, the Postal Service is filing this request to establish IMRS-FPO 2. The IMRS FPO 2 filing provides an update to the IMRS-FPO product that was first approved by the PRC in Dockets MC2015-68 and CP2016-99 (IMRS-FPO 1).⁷

As discussed in the Statement of Supporting Justification of Violette Jacobson, Marketing Specialist, Product Development (Attachment 3), the IMRS-FPO 2 product will continue to provide U.S.-based consumers a returns product for merchandise purchased from international companies through cooperation between the Postal

⁶ Governors' Decision No. 11-6, at 1-2. Governors' Decision No. 11-6 states, at 1, that "Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2)."

⁷ PRC Order No. 2639 - Order Conditionally Approving Addition of Competitive International Merchandise Return Service Agreements with Foreign Postal Operators (IMRS-FPO) to the Competitive Product List, Dockets MC2015-68 and CP2015-99, August 4, 2015. See also Notice Concerning Satisfaction of Conditions of Order No. 2639, Dockets MC2015-68 and CP2015-99, October 21, 2015.

Service and foreign postal operators. The returns product is made available by a foreign postal operator to an overseas merchant in that operator's territory. As such, a U.S.-based consumer can return merchandise to a merchant in a foreign territory.

III. IMRS-FPO 2

The IMRS-FPO 2 Model Agreement is similar to the model agreement for IMRS-FPO filed with the Postal Service's request to add IMRS-FPO to the competitive products list (the IMRS-FPO 1 Model Agreement).⁸ The major differences between the IMRS-FPO 2 Model Agreement (Attachment 5 of this filing) and the IMRS-FPO 1 Model Agreement reviewed by the Commission in Order No. 2639 include updated rates, and minor changes to the time frame mentioned in Article 5 of the Annex. The changes do not affect the general market characteristics of the IMRS-FPO product, which continues to be designed to provide U.S.-based consumers a returns product for merchandise purchased from international companies through cooperation between the Postal Service and foreign postal operators.

Additional differences between IMRS-FPO 2 and IMRS-FPO 1 include revisions to the Management Analysis, the financial model, and the rates themselves. These changes to the IMRS-FPO product are authorized by Governors' Decision No. 11-6, which states with respect to Outbound International Competitive Agreements, such as IMRS-FPO, "management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission."⁹

⁸ IMRS-FPO Request, at Attachment 5.

⁹ Governors' Decision No. 11-6, at 1-2. Governors' Decision No. 11-6 states, at 1, that "Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service

The Commission anticipated that changes might occur that would affect the IMRS-FPO product.¹⁰ Changes have necessitated the addition of a successor IMRS-FPO 2 grouping under the IMRS-FPO product. The Postal Service anticipates that it will periodically file updated rate ranges for IMRS-FPO. This would include any changes to the minimum and maximum prices in the rate ranges. The Postal Service further anticipates that it will renegotiate the rates provided in each agreement, if the rates fall outside the rate ranges in effect at the time, or because it or the counterparty wished to renegotiate them in any event. Any such a rate change would constitute a modification or amendment to the agreement. Consistent with regulatory requirements, the Postal Service plans to file any amendments or modifications to the agreements with the Commission as the amendments or modifications take place.

IV. Application for Non-Public Treatment

The Postal Service maintains that certain portions of Governors' Decision No. 11-6, the IMRS-FPO 2 Management Analysis, the IMRS-FPO 2 Model Agreement, and the IMRS-FPO 2 financial model that includes related financial information, including the rates for the IMRS-FPO 2 product, should remain confidential. As Attachment 1 to this Request and Notice, the Postal Service files its application for non-public treatment of materials filed under seal. Consistent with the Commission's treatment of the IMRS-FPO 1 product, the Postal Service anticipates providing to the Commission the IMRS-FPO 2 agreements as they are signed. A minimal amount of information in the IMRS-FPO 2 agreement is considered to be confidential because of the commercially sensitive

customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2)."

¹⁰ Notice concerning Satisfaction of Conditions of Order No. 2639, Docket Nos. MC2015-68 and CP2015-99, October 21, 2015.

nature of the information. The Postal Service is including with this filing as Attachment 5, the IMRS-FPO 2 Model Agreement, with certain information redacted. The Postal Service anticipates that the redacted information in the IMRS-FPO 2 Model Agreement represents the commercially sensitive information that the Postal Service will redact in subsequent filings of executed agreements. The application for non-public treatment attached to this notice addresses the redactions to those materials. When the Postal Service files actual IMRS-FPO 2 agreements with the Commission in this docket, the Postal Service will rely on the application for non-public treatment included as Attachment 1 to this filing for protection of the information redacted from those materials. A full discussion of the requested elements of the application appears in Attachment 1.

V. Conclusion

For the reasons discussed above and in the attachments, the Postal Service requests that the IMRS-FPO 2 product is in compliance with the requirements of 39 U.S.C. § 3633. Accordingly, IMRS-FPO 2 should be added to the IMRS-FPO product grouping in the competitive products list of the MCS.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials pertain to a request that Competitive International Merchandise Return Service Agreements with Foreign Postal Operators 2 (IMRS-FPO 2) be added to the competitive product list within the Mail Classification Schedule (MCS), and a notice that the Postal Service has created an IMRS-FPO 2 Model Agreement (Model Agreement). The Postal Service is filing separately under seal with the Commission unredacted versions of: (1) Governors' Decision 11-6; (2) the Management Analysis describing the pricing methodology; (3) the related financial materials; and (4) the Model Agreement. The Postal Service has filed redacted versions of these materials with the Request and Notice.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, is not required to be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(3) and (4). The Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of

a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).¹ Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and e-mail address for any third party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

Third parties that may have a proprietary interest in the information in this filing include the designated operators or foreign posts with whom the IMRS-FPO 2 agreements will be signed. The Postal Service recently provided notice to all foreign postal operators within the Universal Postal Union network through an International Bureau Circular issued on January 18, 2016, that the Postal Service will be regularly submitting certain business information to the Commission. Some UPU-designated foreign postal operators may have a proprietary interest in such information. The circular includes information on how third parties may address any confidentiality concerns with the Commission. In addition, contact information for all UPU Designated Operators is available at the following link, which is incorporated by reference into the instant application: http://pls.upu.int/pls/ap/addr_public.display_addr?p_language=AN.²

¹ The Commission has indicated that “likely commercial injury” should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

² To the extent required, the Postal Service seeks a waiver from having to provide each foreign postal operator notice of this docket. It is impractical to communicate with dozens of operators in multiple languages about this matter. Moreover, the volume of contracts would overwhelm both the Postal Service and the applicable foreign postal operators with boilerplate notices.

Additionally, once an affected postal operator enters into an IMRS-FPO 2 Agreement with the Postal Service, Article 14 of the Model Agreement provides that designated operator or foreign post with notice of the Postal Service's intent to file the agreement with the Commission and its intent to seek non-public treatment of the information the Postal Service determines may be withheld from public disclosure. The notice gives the designated operator or foreign post information about how to raise its confidentiality concerns directly with the Commission.

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

In connection with its Notice filed in this docket, the Postal Service included the applicable Governors' Decision, and a financial model and Management Analysis that demonstrate how the Postal Service developed the rates. These materials were filed under seal, with redacted copies filed publicly. The Postal Service maintains that the redacted portions of these materials should remain confidential as sensitive business information. Additionally, the Model Agreement includes redacted information that will remain redacted when the country-specific agreements are filed in this docket in the future.

The redactions to the materials identified above protect sensitive commercial information concerning the applicable cost-coverage, underlying costs and assumptions, underlying volumes and assumptions, inward land rates for each country, and the non-published rates themselves. To the extent practicable, the Postal Service has limited its redactions in the workpapers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b).

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

The redactions to the materials identified above include the Postal Service's specific non-published rate and cost information and a detailed description of the methodology used to establish the rates, which are highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of knowing the range of rates that may be offered by the Postal Service for its IMRS-FPO 2 service and the methodology used to establish the rates. Thus, competitors would be able to take advantage of the information to offer lower pricing for the IMRS-FPO 2 service, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the international merchandise returns service market.

Other postal operators could also take advantage of the information in negotiating the specific rates to be applied to their circumstances. They could demand the absolute floor, when it would otherwise be possible in some cases for the Postal Service to offer a higher, but still competitive rate.

The redactions in the financial models and Management Analysis include commercially sensitive business information from which the particular prices are generated, while maintaining statutory cost-coverage requirements. Public disclosure of this information would give competitors an exact model of Postal Service pricing that could be used to develop lower pricing to present to customers in an attempt to convert them from contracts with the Postal Service.

If the costing and rate information that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed

publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Identified harm: Public disclosure of the prices in the financial model, as well as any negotiated terms, would provide foreign postal operators extraordinary negotiating power to extract lower rates and favorable terms from the Postal Service.

Hypothetical: The negotiated rates are disclosed publicly on the Postal Regulatory Commission's website. Another postal operator sees the price and determines that there may be some additional profit margin below the rates provided to either operator. The other postal operator, which was offered rates comparable to those published in the agreement, then uses the publicly available rate information to insist that it must receive lower rates than those the Postal Service has offered.

Identified harm: Public disclosure of established rates and the financial model and methodology used to generate the rates would be used by competitors to the detriment of the Postal Service.

Hypothetical: A competitor offering a return service obtains a copy of the unredacted version of the Governors' Decision, the financial model, Management Analysis, or the negotiated rates from the Postal Regulatory Commission's website. The competing service reviews the rates and the model to determine what the Postal Service would have to charge in order to comply with business or legal considerations regarding cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers under the Postal Service's rates. The competing service promotes its ability to beat the Postal Service on price for international merchandise returns services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors

acting in a likewise fashion, would freeze the Postal Service out of the international merchandise return services market for which the IMRS-FPO 2 product is designed.

Identified Harm: Public disclosure of information in the financial workpapers would be used detrimentally by the foreign postal operators' competitors.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial work papers from the Postal Regulatory Commission's website. The competitor analyzes the work papers to assess the foreign postal operators' underlying costs and volumes for the corresponding products. The competitor uses that information to assess the market potential and negotiate with U.S. customs brokers and freight companies to develop lower-cost alternatives.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for international merchandise return products (including both private sector integrators and foreign postal administrations), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products should not be provided access to the non-public materials.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof;

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.

The Postal Service plans to file future customer agreements in this docket. The Postal Service considers this Application sufficient to fulfill its regulatory requirements for justifying its determinations that the information redacted from those materials should be treated as non-public.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DOMESTIC COMPETITIVE AGREEMENTS, OUTBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, INBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, AND OTHER NON-PUBLISHED COMPETITIVE RATES (GOVERNORS' DECISION NO. 11-6)

March 22, 2011

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices.

This decision establishes prices for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. Domestic Competitive Agreements consist of negotiated service agreements with Postal Service customers for domestic services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Inbound International Competitive Agreements consist of negotiated service agreements with foreign postal operators or other entities for inbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Other Non-Published Competitive Rates consist of rates not of general applicability that are not embodied in contractual instruments, but nonetheless arise from other sources, such as the Universal Postal Convention.

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With respect to any product within the above categories, management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission.

The Postal Accountability and Enhancement Act (PAEA) requires that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. For agreements subject to this Decision, there are hereby established all prices that will cover [REDACTED] [REDACTED] costs for the relevant product and that conform in all other respects to 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. As discussed in the accompanying management analysis, the Chief Financial Officer (or his delegee(s)) shall certify that all cost inputs have been correctly identified for prices subject to this Decision and that all prices subject to this Decision conform to this Decision and to the requirements of the PAEA.

No agreement, grouping of functionally equivalent agreements, or other classification authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3). On a quarterly basis, management shall furnish the Governors with a report on all non-published rate and classification initiatives. Not less than once each year, the Governors shall review the basis for this Decision and make such further determination as they may deem necessary. This Decision does not affect postal management's obligation to furnish to the Board of Governors information regarding any significant, new program, policy, major modification, or initiative, or any other matter under 39 C.F.R. § 3.7(d), including where such a matter also falls within the scope of this Decision.

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

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This Decision does not supersede or otherwise modify Governors' Decision Nos. 08-5, 08-6, 08-7, 08-8, 08-10, 08-20, 08-24, 09-5, 09-6, 09-7, 09-14, 09-15, 09-16, 10-1, 10-2, 10-3, 10-6, and 10-7, nor does it affect the validity of prices and classifications established under those Decisions. Management may also continue to present to the Postal Regulatory Commission for its review, as appropriate, rate and classification changes to succeed the minimum and maximum non-published rates in Decision Nos. 10-2 and 10-6.

ORDER

In accordance with the foregoing Decision of the Governors, the prices set forth herein for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:



Louis J. Giuliano
Chairman

Attachment A

Management Analysis of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates

This analysis concerns the inbound competitive prices and classifications in the Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (collectively, "competitive instruments"). Competitive instruments are often negotiated with customers and foreign postal operators for better cost coverage, higher overall contribution, and improved service with respect to postal services classified as competitive. They may also arise from other sources, such as the Universal Postal Convention.

The cost coverage for each competitive agreement or grouping of functionally equivalent instruments (collectively, each "product") will be [REDACTED]

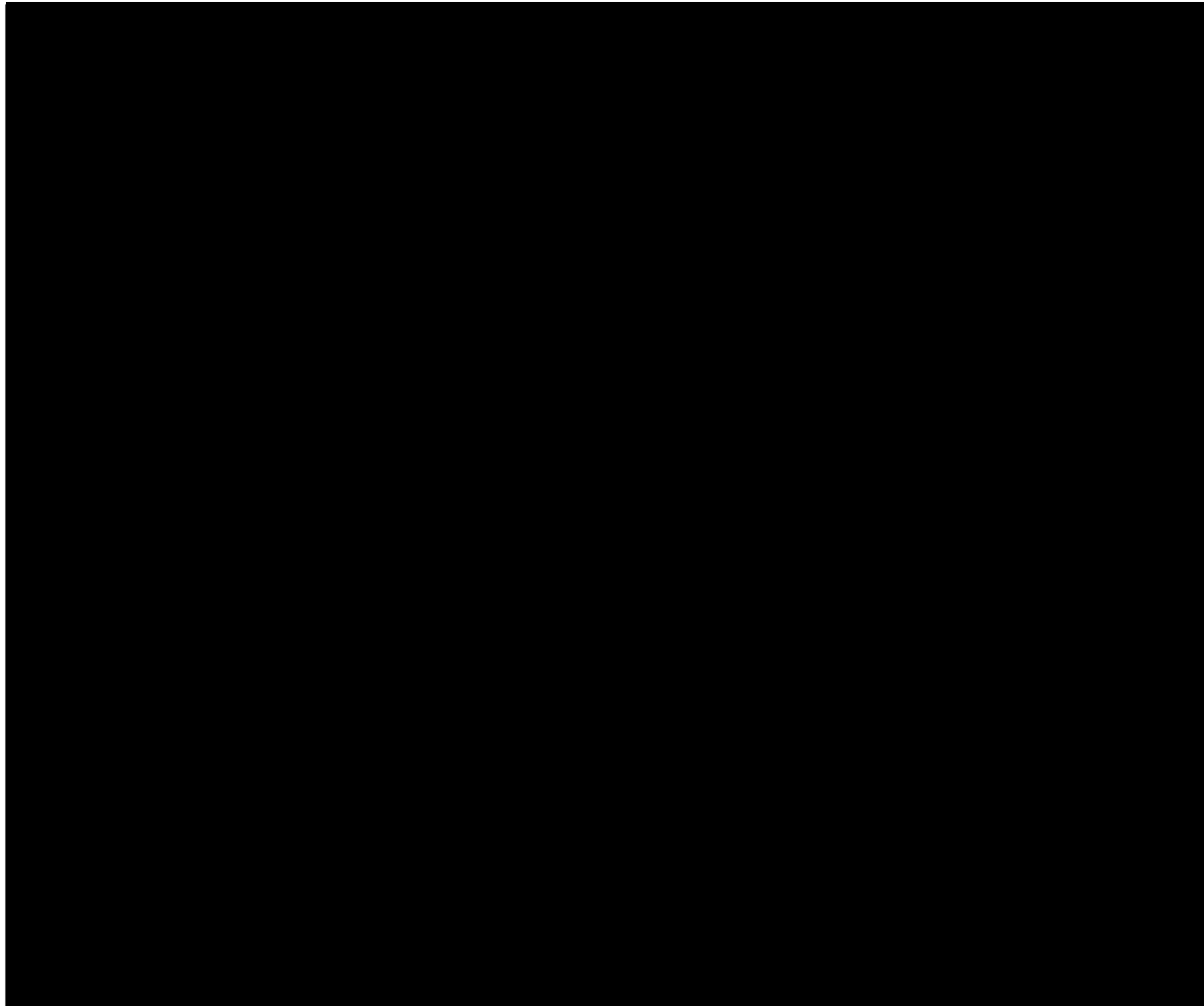
[REDACTED]

The cost coverage for a product equals [REDACTED]

[REDACTED]

Each competitive instrument may have multiple price categories and negotiated components. Examples of such categories or components would be Priority Mail, Express Mail, Parcel Return Service, Priority Mail International, Express Mail International, International Priority Airmail, International Surface Air Lift, Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and Inbound International Expedited Services. These or other categories may include other services that the relevant customer or foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in the same manner within the United States Postal Service's network. Such instruments may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.

[REDACTED]



[REDACTED]

Prices established by these formulas should not interfere with competitive products' ability as a whole to comply with 39 U.S.C. § 3633(a)(3), which, as implemented by (39 C.F.R. § 3015.7(c)) requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise (39 U.S.C. § 3633(a)(1)).

**CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 11-6**

I hereby certify that the Governors voted on adopting Governors' Decision No. 11-6, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



Julie S. Moore
Secretary of the Board of Governors

Date: 3/22/2011

Statement of Supporting Justification

I, Violette Jacobson, Acting Director, Global Business Solutions, sponsor the Postal Service's Request that the Postal Regulatory Commission add the Competitive International Merchandise Return Service Agreements with Foreign Postal Operators 2 (IMRS-FPO 2) product to the competitive products list for prices not of general applicability as outlined in the proposed Mail Classification Schedule (MCS) language. This Statement supports the Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32, as indicated below. I attest to the accuracy of the information contained herein.

- (a) *Demonstrate why the change is in accordance with the policies and the applicable criteria of chapter 36 of title 39 of the United States Code.*

As demonstrated below in subsections (b) through (i), the change complies with the applicable statutory provisions.

- (b) *Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. 3622(d), and that it advances the objectives of 39 U.S.C. 3622(b), taking into account the factors of 39 U.S.C. 3622(c).*

Not Applicable.

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. 3633.*

Section 3633 sets forth three standards for competitive products. Subsection (a)(1) prohibits the subsidization of competitive products by market-dominant products. Subsection (a)(2) requires that each competitive product cover its attributable costs. And subsection (a)(3) requires that all competitive products collectively cover an appropriate share of Postal Service institutional costs.

As shown in the financial models and the Management Analysis filed with the Request, the MRS-FPO 2 product will provide sufficient cost coverage. This estimated cost coverage also shows that the creation of the product will not adversely affect the Postal Service's ability to cover its total institutional costs. Hence, there will be no subsidization of this competitive product by market dominant products.

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs; (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

Industry research demonstrates that returns are an inevitable part of international online commerce, and consumers consider the availability of international returns as an important aspect of international eCommerce.¹ Additionally, FedEx, UPS and DHL each have products for returns as part of a closed, end-to-end network.² FedEx and UPS currently offer return products in almost all of their respective service level offerings.³ They also typically charge an additional fee for printing and using a return label on top of the cost of postage.⁴ As such, significant competition can be found in the return shipping marketplace.

¹ See, e.g., UPS Pulse of the Online Shopper, United Parcel Service (Mar. 2015) (available at: <https://www.ups.com/media/en/gb/OnlineComScoreWhitepaper.pdf>); see also IPC Cross-Border E-Commerce Report, International Post Corporation (2010) (available at: http://www.ipc.be/en/Intelligence/~/_media/Documents/PUBLIC/Markets/IPC%20Cross-Border%20E-Commerce%20Report.ashx);

² Information is available at: <http://www.fedex.com/us/global-returns/> and http://www.ups.com/content/us/en/bussol/browse/industries/retail-returns.html?srch_pos=2&srch_phr=global+returns.

³ Information is available at: http://www.ups.com/media/en/value-added_pricing_daily.pdf and <http://www.fedex.com/us/global-returns/intl-shipping-services/index.html>.

⁴ See, e.g., http://www.ups.com/media/en/value-added_pricing_retail.pdf; and http://images.fedex.com/us/services/pdf/Fees_Shipping_Information.pdf

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. 1696 subject to the exceptions set forth in 39 U.S.C. 601.*

The IMRS-FPO 2 product will provide U.S.-based consumers a returns product for merchandise purchased from international companies through cooperation between the Postal Service and foreign postal operators, an option not currently available from the Postal Service. The returns product is made available by a foreign postal operator to an overseas merchant in that operator's territory. As such, a U.S.-based consumer can return merchandise to a merchant in a foreign territory. This product is intended for merchandise, which does not implicate the Private Express Statutes. Further, based on the prices and likely weights, no items should fall within the scope of the Private Express Statutes (see 39 U.S.C. §§ 601 (b)(1) and (b)(2)) even if they do contain letters as defined in 39 CFR Part 310.

- (f) *Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.*

There are many different methods by which merchants and consumers can create a return package. The consumer can create his or her own shipping label, pay for it, and send it to the merchant the same way he or she would any other shipment. This option is available to all customers at this time. Many shipping companies create methods to improve ease of use by creating labels for the merchants and either emailing the labels to their customers or providing labels for use in the event of a return in the original shipment. The nature of the options currently offered by private companies for return services are described in more detail above in subsection (d).

- (g) *Provide any information available on the views of those who use the product on the appropriateness of the proposed modification.*

Not applicable. The IMRS-FPO product is not used by any current customer.

- (h) *Provide a description of the likely impact of the proposed modification on small business concerns.*

The market for international return services comparable to IMRS-FPO 2 is highly competitive, as described in subsection (d). As such, the Postal Service anticipates that the addition of the IMRS-FPO 2 product will have little, if any, impact upon small business concerns. The Postal Service also anticipates that the IMRS-FPO 2 product will provide small businesses with an additional option for their international shipping needs.

- (i) *Include such information and data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

The IMRS-FPO 2 product closes a gap in currently available product offerings by providing a postal solution for international merchandise returns via coordination between the Postal Service and foreign postal operators. This product will generate new revenue and encourage the growth of cross-border eCommerce through the postal channel. Returns are an inevitable part of international online commerce; therefore, the Postal Service is increasing the overall value of the services that it can offer to customers. For these reasons, the Postal Service requests that the Commission approve this Request.

**DRAFT MAIL CLASSIFICATION SCHEDULE (MCS)
LANGUAGE**

MARCH 8, 2016

PART B

COMPETITIVE PRODUCTS

2000 COMPETITIVE PRODUCT LIST

2001 COMPETITIVE PRODUCT DESCRIPTIONS

* * * * *

2510 Outbound International

2510.1 Description

The Postal Service enters into contracts, on a mailer-specific basis, to provide outbound services and respective prices that are available only to mailers meeting defined eligibility requirements.

2510.2 Negotiated Service Agreement Groups

- Global Expedited Package Services (GEPS) Contracts (2510.3)
- Global Bulk Economy (GBE) Contracts (2510.5)
- Global Plus Contracts (2510.6)
- Global Reseller Expedited Package Contracts (2510.7)
- Global Expedited Package Services (GEPS)—Non-Published Rates (2510.8)
- Priority Mail International Regional Rate Boxes—Non-Published Rates (2510.9)
- Outbound Competitive International Merchandise Return Service Agreement with Royal Mail Group, Ltd. (2510.10)
- Priority Mail International Regional Rate Boxes (PMI RRB) Contracts (2510.11)
- Competitive International Merchandise Return Service Agreements with Foreign Postal Operators (2510.12)

* * * * *

2510.12 Competitive International Merchandise Return Service Agreements with Foreign Postal Operators

2510.12.1 Description
Competitive International Merchandise Return Service Agreements with Foreign Postal Operators provides rates for acceptance, handling, and transportation within the United States, and international transportation to foreign postal operators, of U.S.-origin return service destined to a foreign merchant, subject to terms and conditions as specified and agreed to by the United States Postal Service and the foreign postal operators.

2510.12.2 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

- Competitive International Merchandise Return Service Agreements with Foreign Postal Operators 1

Baseline Reference

Docket No. MC2015-68 and CP2015-99

PRC Order No. 2639, August 4, 2015

Included Agreements

- Competitive International Merchandise Return Service Agreements with Foreign Postal Operators 2

Baseline Reference

Docket No. MC2016-94 and CP2016-119

PRC Order No. [REDACTED], [Date]

Included Agreements

**[POST NAME] – UNITED STATES POSTAL SERVICE BILATERAL AGREEMENT
FOR INTERNATIONAL MERCHANDISE RETURN SERVICE**

This Agreement (“Agreement”) is between the United States Postal Service (“USPS”), an independent establishment of the Executive Branch of the Government of the United States with offices at 475 L’Enfant Plaza SW, Washington, DC 20260, and [Post Name], the postal operator in [Country], organized and existing under the laws of the [Country], and having a place of business at [Address]. The USPS and [Post Name] may be referred to individually as a “Party” and together as the “Parties” or “Posts”.

INTRODUCTION

The Parties desire to enter into a non-exclusive relationship whereby the Parties will provide each other certain products and/or services pursuant to the terms and conditions contained herein;

The Parties acknowledge and understand that the commencement of performance under this Agreement is subject to the approval of and/or non-objection by various entities with oversight responsibilities, which may include but not be limited to the USPS management’s executive committee, the USPS Governors, and/or the U.S. Postal Regulatory Commission. Accordingly, [Post Name] acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur, and in this respect the provisions of Articles 3 and 4 shall apply;

In light of the aforementioned acknowledgements, the Parties desire to be bound by the terms of this Agreement as well as the terms of Article 4 of this Agreement entitled “Conditions Precedent”;

NOW, in consideration of the mutual promises set forth below, the Parties hereby agree as follows:

Article 1: Purpose of the Agreement

The purposes of this Agreement are the following:

1. to foster the maintenance and further development of a mutually beneficial relationship on behalf of the Parties’ respective customers;
2. to set out the principles and general terms and conditions that shall apply to the exchange of International Merchandise Return Service between the Parties; and
3. to set out the bilateral rates that will apply to the exchange International Merchandise Return Service as specified in Annex 1.

Article 2: Guiding Principles of the Agreement

1. The Parties agree to work together to improve the quality of postal services between [Country] and the United States in order to better serve the market. In particular, the Parties agree to provide access to each other’s operating networks and services in such a way that for International Merchandise Return Service:
 - (i) excellence in quality of service will be attained and maintained;
 - (ii) the flexibility required to meet changing market and logistical conditions will be supported;
 - (iii) the costs to each Party of providing services will be minimized; and
 - (iv) the settlement and payment processes will continue to be streamlined, with the objective being to make such processes efficient, timely, and specific to each particular service or type of service.

2. In addition to the level of cooperation specifically outlined in this Agreement, the Parties intend to collaborate further on product development, enhancements to the current product, and specified value-added services required to meet the ever-evolving needs of their customers.

Article 3: Oversight and Effective Date

The terms and pricing set forth under this Agreement require the approval from various entities that have oversight responsibilities for the USPS as set out in Article 4 below. Upon execution of this Agreement, the USPS shall seek such approval. The Parties agree that this Agreement shall come into effect (1) after all such approvals have been obtained by USPS and (2) (3) after notification to [Post Name] by USPS that all required approvals have been obtained, and the date of notification shall be "the Effective Date," unless an alternative date is proposed in the USPS's notification and agreed to by [Post Name] in a return communication, in which case that alternative date shall be the Effective Date.

Article 4: Conditions Precedent

The Parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals from, and/or non-objection by (hereinafter "Conditions Precedent") one or more internal and external bodies that have oversight responsibilities. Conditions Precedent may include but are not limited to: approvals or, if applicable, non-objection, from USPS management, the USPS executive committee, the Governors of the USPS, and the U.S. Postal Regulatory Commission. The Parties acknowledge that the Agreement might not be approved by such bodies. Until such time that all Conditions Precedent are fulfilled that are necessary to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS or [Post Name] and no benefit or rights granted through this Agreement shall inure to either Party unless and until the Effective Date occurs and upon such occurrence the Conditions Precedent shall have been fulfilled.

Article 5: Limitation on Liability and Costs

In the event that the Conditions Precedent are not fulfilled, the USPS and [Post Name] shall have no liability, which shall include no obligation to pay costs associated with any action taken by either Party prior to the Effective Date of the Agreement. Further, in the event of termination of the Agreement or the failure of any Condition Precedent, neither Party shall be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

Article 6: Price Changes; No Effect on Service Terms

For each of the services with specific terms and conditions set forth in an attachment to this Agreement, any adjustments to the rates for the services shall be subject to the terms and conditions set forth in the Attachments or Annexes.

Article 7: Monetary Transactions

1. Each Party will bear the costs and retain the revenues for any work performed by it or by agents or contractors on its behalf, unless the Parties agree to other arrangements to allocate costs or revenues and those arrangements are incorporated in an Amendment to this Agreement. Any such Amendment shall be governed by Article 19 below.
2. All taxes and duties are the sole responsibility of the Party to whom they are duly assessed and shall not be charged to any other Party in any form unless the Parties otherwise provide in an Amendment to this Agreement. Any such Amendment shall be governed by Article 19 below.

Article 8: Customs Inspection

USPS bears no responsibility for the disposition of items in the custody of U.S. Customs & Border Protection. Further, [Post Name] understands that all contents of any item, including items that are treated as sealed mail under USPS regulations, are subject to inbound search and inspection by U.S. Customs & Border Protection, regardless of when the USPS elects to conduct verification and acceptance of any inbound items.

Article 9: Termination

1. Either Party may terminate this Agreement without cause upon 60 days advance written notice to be served on the other Party, with such termination effective as of the end of the calendar month in which the 60-day notice period expires. The right to terminate the Agreement for good cause remains unaffected.
2. In the event of termination of the Agreement under this Article, the Parties shall be liable to make final settlement of all amounts owing as of the effective date of the termination. Each Party shall bear its own costs in the event of termination. All further rights and remedies shall remain unaffected.
3. In the event of termination, neither Party shall be liable to the other for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason incurred as a result to the change of rates after termination.

Article 10: Dispute Resolution

1. The Parties intend to resolve all controversies under this Agreement informally through correspondence, oral communications, and informal meetings.
2. If the method described in the above paragraph proves insufficient to resolve a controversy, the Parties agree that the signatories to this agreement, or their replacement, shall provide a written description of the controversy to the other Party and a suggested outcome. The Parties will review the information provided and shall attempt in good faith to come to an agreement on the issue through correspondence, oral communications, or informal meetings.
3. If the methods described in the above paragraph prove insufficient to resolve a controversy, the Parties agree that each Party may exercise its right to terminate this Agreement, or an action relating to cost or revenue liability may be instituted and maintained only in the United States District Court for the District of Columbia.
4. Notwithstanding the provisions of this Article 10, and without prejudice to Article 12, paragraph 1, in the event of conflict or inconsistency between the provisions of this Article 10 and Article 12, paragraph 1, the provisions of Article 12, paragraph 1 shall prevail.

Article 11: Construction

Except as otherwise provided in this Agreement, this Agreement shall be governed by and construed in accordance with U.S. Federal law.

Article 12: Indemnification and Liability

1. The Parties acknowledge that aspects of liability or indemnification (including, but not limited to air parcels) not expressly governed by this Agreement or its regulations are subject to the appropriate provisions of the Acts of the Universal Postal Union and any reservations the Parties have taken to those instruments.
2. In the event that an entity not party to this Agreement asserts claims against [Post Name] or USPS that are attributable to the actions of the other Party to this Agreement, the latter Party shall indemnify the defending Party for, and hold the defending Party harmless

- from, any losses, damages or liabilities suffered by the defending Party as a result. In that instance, the indemnifying Party shall also reimburse the defending Party for all reasonable expenses incurred in connection with investigating, preparing for, or defending any such claim, whether in an administrative, regulatory or judicial proceeding, and whether or not the indemnified Party is named in the proceeding.
3. Except for liability and indemnification as described in Article 12, paragraph 1, and final settlement under Article 9, no Party to this Agreement shall be liable to the others for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason, including, but not limited to, breach of any term of this Agreement or negligence, unless required by applicable mandatory law.
 4. Nothing in this Agreement shall be construed as an acknowledgment or concession regarding the validity of any claim or the entitlement of any Party to any amount of damages.

Article 13: Language

The official version of this Agreement, including all supporting documentation and correspondence, shall be in English. The English language shall be the controlling language for the purpose of interpreting this Agreement, and all correspondence between the Parties pertaining to this Agreement shall be in the English language. In the event of inconsistency between any terms of this Agreement, including its supporting documentation and correspondence, and any translation into another language, the English language meaning shall control.

Article 14: Confidentiality Requirements

1. The Parties consider the rate information included in this Agreement to be commercially sensitive information and agree that it should not be disclosed to third parties except as required by law. [Post Name] will treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that is treated as non-public by the U.S. Postal Regulatory Commission.
2. [Post Name] acknowledges that as part of securing approval of this Agreement and in other subsequent regulatory filings, the Agreement and supporting documentation will be filed with the U.S. Postal Regulatory Commission ("Commission") in a docketed proceeding. [Post Name] authorizes the USPS to determine the scope of information that must be made publicly available under the Commission's rules. [Post Name] further understands that any unredacted portion of this document may be posted on the Commission's public website, www.prc.gov. In addition, the USPS may be required to file information in connection with this instrument (including revenue, cost, or volume data) in other Commission dockets, including Commission docket numbers with successive dockets beginning with the acronym "ACR" followed by the fiscal year reported. [Post Name] has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22, on the Commission's website: www.prc.gov/Docs/63/63467/Order225.pdf. At [Post Name]'s request, the U.S. Postal Service will notify [Post Name] of the docket number of the Commission proceeding to establish the rates in this instrument under U.S. law, once that docket number has been assigned.

Article 15: Severability

If any of the provisions of this Agreement shall be held void or unenforceable, the other provisions shall survive and remain in full force and effect, subject only to either Party's unilateral right to terminate the Agreement.

Article 16: Notices

Any notice or other document to be given under this Agreement will be in writing and addressed as set out below. Notices may be delivered by hand, email, or Express Mail.

To the USPS:

Director, Global Business Solutions
United States Postal Service
475 L'Enfant Plaza SW Washington, DC 20260
United States of America

Arneece.L.Williams2@usps.gov

To [Post Name]:

Title
Post Name
Address
Email Address

Article 17: Force Majeure

Neither party shall be liable for its failure to perform under the terms of this Agreement due to any contingency beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, whether valid or invalid, court orders, whether valid or invalid, inability to obtain material, equipment, or transportation, and any other similar or different contingency.

Article 18: Legal Status of this Agreement

This Agreement constitutes a legally binding agreement on the part of each signatory hereto and does not bind the Parties' respective governments. The Parties acknowledge that this Agreement sets out the terms and conditions of a negotiated contractual arrangement between the Parties and is not an agreement entered into or subject to international law. This Agreement does not involve the creation of a wholly-owned subsidiary of any Party or a joint venture company or partnership funded in any ratio by the Parties. The Parties do not intend that any agency or partnership relationship be created between any of them by this Agreement.

Article 19: Amendment

This Agreement may be amended or extended only by mutual written agreement signed by authorized representatives of [Post Name] and USPS. Neither a Party's acquiescence in any performance at variance to this Agreement nor a Party's failure to exercise any right or enforce any obligation shall be deemed an amendment to this instrument. The Amendment may be contingent upon any and all necessary approvals by USPS management, the USPS Governors, the USPS Board of Governors, and/or the U.S. Postal Regulatory Commission. If such approvals are required, the Amendment will not become effective until such time as all necessary approvals are obtained.

Article 20: Assignment

This Agreement may not be assigned in whole or in part by any Party without the prior written consent of the other parties. Each Party may, however, delegate certain of its responsibilities under this Agreement to a subsidiary or other affiliate entity within its organizational structure without the need for consent by the other Parties so long as such subsidiary or entity would be bound by this Agreement.

Article 21: Applicability of Other Laws

1. The Parties acknowledge that this Agreement does not involve the USPS's acquisition of property or services and is not subject to the Contract Disputes Act (41 U.S.C. §§ 601 et seq.).
2. The Parties recognize that performance under this Agreement may be subject to laws enacted or enforced by governmental entities and is contingent on each Party obtaining all consents, authorizations, orders, or approvals required under applicable law or policy to effectuate the Agreement.
3. The Parties understand that USPS may be required to provide copies of this Agreement to the U.S. Department of State and the U.S. Postal Regulatory Commission. [Post Name] acknowledges that the entire Agreement, or portions thereof as the USPS determines to be appropriate, will be filed with the U.S. Postal Regulatory Commission with a notice to add it to the competitive and/or market dominant products list.

Article 22: Entire Agreement

1. Except as otherwise provided in this Agreement, this Agreement, including all Annexes to this Agreement, shall constitute the entire agreement between the Parties concerning the exchange of International Merchandise Return Service described herein. Except as otherwise indicated in this agreement, any prior agreement, understanding, or representation of any kind pertaining to the subject matter of this Agreement, namely, International Merchandise Return Service, and preceding the date of this Agreement, shall not be binding upon either Party. Nothing in this paragraph should be construed to affect any other bilateral agreement between the Parties, provided that the other bilateral agreements do not pertain to International Merchandise Return Service.
2. The Parties acknowledge that the provisions of the Universal Postal Convention and applicable regulations apply except to the extent inconsistent with this Agreement.

Article 23: Term

1. The Parties intend that the Effective Date of the settlement rates set forth in Annex 1 of this Agreement shall be [Date].
2. The USPS will notify [Post Name] of the Effective Date of the Agreement within thirty (30) days after receiving the approval of the entities that have oversight responsibilities for the USPS. USPS shall have no obligation to notify [Post Name] of the status of the approval process or of potential fulfillment of the approval process. The Agreement will remain in effect indefinitely, and may terminate upon mutual written consent by the parties, or pursuant to Article 9.

Article 24: Intellectual Property, Co-Branding, and Licensing

The Parties acknowledge that in the service of improving existing international products or developing new international products under this Agreement that such products may be enhanced through the use of co-branding or the use of each Party's trademarks, logos or intellectual property. In such instances, the Parties acknowledge and agree that any use shall be subject to separate written agreements. The Parties acknowledge and agree that neither Party shall use the other Party's trademarks, logos or intellectual property until such time that a license for each specific such use has been executed by the Parties and all laws and regulations required for such license's effectiveness have been perfected, which shall include but not be limited to any recordation requirements.

Article 25: Survival

The provisions of Articles 5, 9, 10, 11, 12, 13, 14, 15, 16, 22, 23, and 24 shall survive the conclusion or termination of this agreement, as well as any other terms insofar as they apply to the Parties' continuing obligations to one another under the articles listed above.

IN WITNESS WHEREOF, the Parties agree to be bound as of the latest date of signature to the terms and conditions of this Agreement.

[Post Name]

United States Postal Service

[Name]
[Title]

Giselle Valera
Managing Director, Global Business, and Vice
President

Date

Date

Annex 1 – International Merchandise Return Service (IMRS)

This Annex covers the operational foundation, rates, and other terms to facilitate the bi-directional exchange of returns between the Posts.

Article 1: Definitions

1. eSeller: a merchant selling items via the internet.
2. eBuyer: a consumer buying items from the eSeller on the internet.
3. eSeller Post: the Post who has the contractual relationship with the eSeller.
4. eBuyer Post: the Post where the eBuyer is located.
5. IMRS: the International Merchandise Return Service product.
6. EMSEVT: the UPU standard used to exchange the tracking events among countries sending and receiving shipments. Specifically:
 - a. EMA: acceptance by the eBuyer Post
 - b. EMC: departure from the eBuyer Post's Office of Exchange (O.E.)
 - c. EMD: acceptance at the eSeller Post's O.E.
 - d. EME: entry into Customs in the eSeller's O.E.
 - e. EMF: exit from Customs in the eSeller's O.E.
 - f. EMH: attempted delivery to the eSeller
 - g. EMI: delivery to the eSeller
7. Inward Land Rate (ILR): the settlement rate for parcels per the UPU regulations.
8. Basic Air Conveyance Rate (BACR): the settlement rate for air conveyance dues per UPU regulations.

Article 2: Generation of IMRS Labels and Customs Declarations

1. Each Post shall establish relationships with its eSellers to facilitate the return of merchandise via IMRS subject to this Annex and each Post shall be responsible for ensuring that any arrangement with its eSellers is consistent with the requirements of this Annex.
2. eSeller shall send goods to the eBuyer using the postal network or any other outbound carrier.
3. eBuyer wishing to return an item shall contact the eSeller and follow the eSeller's instructions for requesting return service and label. The instructions may vary by eSeller but must require the eBuyer to submit detailed item information to the eSeller including name, address, contact information, merchandise description, type of service, and package weight.
4. eSeller shall authorize the return and acquire return label by accessing [REDACTED]
[REDACTED]
 - a. eSeller Post sends label data [REDACTED]
[REDACTED]
[REDACTED]
 - b. eSeller shall provide by electronic means (e-mail, .pdf download etc.) the label and customs declaration to the eBuyer via the eBuyer Post.
 - c. IMRS labels will bear the "CU" prefix and the eBuyer Post's suffix.

Article 3: Dispatch Procedures

IMRS items follow the UPU regulations relating to Air Parcel dispatching, including the listing of individual IMRS items on the CP87 and in the PREDES message. [REDACTED]

1. Each IMRS item must be clearly labeled with a pre-agreed item label.
2. Each IMRS item label shall contain one unique S10 barcode with the CU prefix and suffix of the eBuyer country.
3. The Posts agree to timely and accurate exchange of EMSEVT messages for: [REDACTED]

Article 4: [REDACTED]

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]
 - a. [REDACTED]
 - b. [REDACTED]

Article 5: International Merchandise Return Service Rates

1. Schedule A outlines the rates applicable to IMRS items for the 2016 calendar year, ending 31 December 2016. [REDACTED]
2. Rates in Schedule A shall be based upon [REDACTED]
3. The IMRS rate charged by the eBuyer Post is a [REDACTED] that consists of two main components:
 - a. [REDACTED]
 - b. [REDACTED]

- c. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

4. The Parties intend to renegotiate the rates provided in Schedule A as necessary, [REDACTED]
[REDACTED]
[REDACTED] Nothing in this paragraph shall be interpreted as prohibiting either Post from initiating rate discussions for other reasons not enumerated herein. The Posts will agree to any rate adjustments in writing, and any rate adjustments are subject to the terms of Article 19 of the Agreement.

Article 6: Invoicing

1. [REDACTED]
[REDACTED]
- a. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- b. [REDACTED]
[REDACTED]
[REDACTED]
2. [REDACTED]
[REDACTED]
[REDACTED] The Parties will agree to all rate adjustments in writing, and all rate adjustments are subject to the terms of Article 19 of the Agreement.

Article 7: USPS/[Post] Customer Service Support for Inquiries, Claims and Liability

1. [REDACTED]
[REDACTED]
2. [Post] and USPS [REDACTED]
[REDACTED]
3. After launching IMRS, [Post] and USPS shall make the determination [REDACTED]
[REDACTED]

Article 8: Limits of weights and size

For IMRS, the Posts shall adhere to limits of weight and size for Air Parcel items, as depicted in the UPU Regulations.

Schedule A to Annex 1 – IMRS Settlement Rates

The following rates are [REDACTED] exchanged between **[Post]** and USPS; are [REDACTED] per Article 5 of this Annex; and are applicable on a [REDACTED] basis:

IMRS from [Post] to USPS	
IMRS Settlement Rates	[REDACTED]
IMRS – Air Parcel Service	[REDACTED]

IMRS from USPS to [Post]	
IMRS Settlement Rates	[REDACTED]
IMRS – Air Parcel Service	[REDACTED]

**Certification of Prices for Competitive
International Merchandise Return Service Agreements with Foreign Postal
Operators 2 (IMRS-FPO 2)**

I, Steven Phelps, Manager of Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices establishing the price floor and the price ceiling for the Competitive International Merchandise Return Service Agreements with Foreign Postal Operators 2 (IMRS-FPO 2) product grouping, which are presented in the attachment IMRS-FPO 2 Model Agreement and the supporting financial documentation. I am also familiar with the methodology described in Governors' Decision No. 11-6.

I hereby certify that the prices for the IMRS-FPO 2 product grouping are determined in a manner that satisfies applicable pricing criteria, using appropriate and accurate data. If the Postal Service were to enter into agreements and offer services that set prices at or above the price floors using this methodology, the Postal Service would be in compliance with 39 U.S.C. § 3633(a)(1), (2) and (3). The minimum prices that establish the price floor for the IMRS-FPO 2 product grouping should cover the product grouping's attributable costs and preclude the subsidization of competitive products by market dominant products. Even if all of the agreements under the IMRS-FPO 2 product were assigned prices at the price floor, the prices and methodology used should prevent the product group from impairing the ability of competitive products on the whole to cover an appropriate share of institutional costs.



Steven Phelps

**Management Analysis of the Settlement Rates and Methodology
for Determining Settlement Rates for Agreements under the
Competitive International Merchandise Return Service Agreements
with Foreign Postal Operators 2 Product**

The purpose of this Management Analysis is to describe the methodology used to estimate the cost coverage for the Competitive International Merchandise Returns Service Agreements with Foreign Postal Operators 2 product (IMRS-FPO 2) to various foreign postal operators, herein referred to as the "Posts". The Posts identified in the model were selected based on their [REDACTED]

[REDACTED]

I. Overview of the IMRS product:

The IMRS-FPO 2 product enables consumers in the U.S. to return merchandise through the postal network to overseas merchants. For IMRS volume dispatched from the USPS to the Post, the overseas merchant will be charged by the Post for applicable overseas postage. In turn, the Post will pay the USPS the agreed upon IMRS-FPO 2 settlement rate as reflected in a signed agreement with the USPS.

II. Pricing Inputs:

The model represents a contract period beginning sometime between March 2016 and February 2017. Settlement rates reflected in the model are specific to the country of destination and are based on the particular costs associated with the return [REDACTED]

[REDACTED]

IMRS-FPO 2 is a tracked service that may be utilized for the return of merchandise previously sent to the U.S. via tracked postal mail streams, which includes both Express Mail Service (EMS) and Air Parcel (ACP) packages. Therefore, [REDACTED]

III. Pricing Methodology:

The Postal Service established a minimum and maximum range for IMRS-FPO 2 settlement rates for each applicable country in order to allow for flexibility in the event of unforeseen cost increases. The maximum rate for each country provides the highest percentage of cost coverage and [REDACTED]

[REDACTED] The proposed IMRS-FPO 2 minimum rates were [REDACTED]

The model establishes a maximum rate for IMRS-FPO 2 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The [REDACTED] are reflected in the model as the maximum IMRS-FPO 2 rate per country. Management established minimum rates per country [REDACTED]

IMRS-FPO 2 is an Air Parcel product treated as outbound PMI parcels by the USPS. [REDACTED]

[REDACTED]

[REDACTED]

IMRS-FPO 2 revenue per country was determined by multiplying the proposed rate per piece (minimum and maximum) per country by the expected volume of IMRS-FPO 2 per country.

To determine total contract contribution by country, [REDACTED]

IMRS items will be sent to the Posts [REDACTED]
[REDACTED]

IV. Regulatory Review and Agreement Implementation

The Postal Service is requesting that the Postal Regulatory Commission (Commission) list the IMRS-FPO 2 product, together with any subsequently filed IMRS-FPO agreements, as one product on the competitive products lists, similar to the Commission's treatment of the IMRS FPO 1 product. The Postal Service intends to provide a copy of each IMRS-FPO 2 agreement to the Commission, along with the financial cost inputs used to generate the rates for that agreement, and the effective date of the agreement.

The Postal Service anticipates that it will file updates to the rates for the IMRS-FPO 2 product on an annual basis, [REDACTED]

[REDACTED] Following the Commission's review of the updated rates, the Postal Service further anticipates renegotiating the rates in the IMRS-FPO 2 agreements accordingly. Such a rate change would constitute a modification or amendment to the agreement. Consistent with regulatory requirements, the Postal Service plans to file any amendments or modifications to the agreements with the Commission as the amendments or modifications take place.